

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Pleasantview Township	County Emmet
Audit Date 6/30/05	Opinion Date 11/23/05	Date Accountant Report Submitted to State: 3/10/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

- 1 We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised
- 2 We are certified public accountants registered to practice in Michigan

We further affirm the following "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1 Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2 There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P A 275 of 1980)
- ☒ Yes ☐ No 3 There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P A 2 of 1968, as amended)
- ☐ Yes ☒ No 4 The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5 The local unit holds deposits/investments which do not comply with statutory requirements (P A 20 of 1943, as amended [MCL 129.91], or P A. 55 of 1982, as amended [MCL 38.1132])
- ☐ Yes ☒ No 6 The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7 The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year)
- ☐ Yes ☒ No 8 The local unit uses credit cards and has not adopted an applicable policy as required by P A 266 of 1995 (MCL 129.241)
- ☐ Yes ☒ No 9 The local unit has not adopted an investment policy as required by P A 196 of 1997 (MCL 129.95)

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations			✓
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGU)			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 902 South Huron Street, PO Box 250		City Cheboygan	State MI
Accountant Signature <i>Annette Eustice, CPA, CGFM</i>		ZIP 49721	Date 3/10/06

PLEASANTVIEW TOWNSHIP
EMMET COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

PLEASANTVIEW TOWNSHIP
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FOR THE YEAR ENDED JUNE 30, 2005

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

December 23, 2005

Township Board
Pleasantview Township
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the governmental major fund, and the fiduciary fund of ***Pleasantview Township*** (the "Township"), as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the governmental major fund, and the fiduciary fund of the Township as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages I through V is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of **Pleasantview Township** (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of fiscal year 2005 by \$349,351 (*net assets*). Of this \$320,458 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$320,458 or approximately 193% of the total annual General Fund expenditures.
- The Township repaid \$13,527 during the year of its outstanding debt

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include legislative, general government, public safety, public works, recreation, insurance and bonds and debt service.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township's General Fund is the only governmental fund maintained by the Township and therefore considered a major fund.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the General Fund budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This information can be found on pages 16-18 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$349,351 at the close of fiscal year 2005.

Approximately 8% of the Township's net assets reflect its investment in net capital assets (Township Hall); less any related debt used to acquire or improve those assets that is still outstanding. The Township uses this capital asset to provide services to citizens; consequently, this asset is *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital asset itself cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net assets* (\$320,458) may be used to meet the Township's ongoing obligation to citizens and creditors.

Because this is the first year of implementation of Governmental Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior year information is available, comparative analysis of government-wide data will be presented.

Pleasantview Township Condensed Statement of Net Assets

Assets	
Cash and other assets	\$ 321,295
Capital assets, net of accumulated depreciation,	<u>69,820</u>
Total assets	<u>391,115</u>
Liabilities	
Current and other liabilities	9,379
Long-term debt, net of current portion	<u>32,385</u>
Total liabilities	<u>41,764</u>
Net assets	
Invested in capital assets, net of related debt	28,893
Unrestricted	<u>320,458</u>
Total net assets	<u>\$ 349,351</u>

At the end of the current fiscal year, the Township is able to report positive balances in both categories of net assets, for the government as a whole.

The Township's net assets increased \$55,664 during the current fiscal year.

Pleasantview Township
Condensed Statement of Changes in Net Assets

Revenues

General revenues

Property taxes	\$ 139,239
State shared revenues	64,574
Interest earnings	4,336
Other	<u>2,353</u>

Total revenues	<u>210,502</u>
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Expenses

Legislative	6,019
General government	105,334
Public safety	25,412
Public works	2,304
Recreation	3,285
Insurance and bonds	6,182
Interest on long-term debt	4,307
Unallocated depreciation	<u>1,995</u>

Total expenses	<u>154,838</u>
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Change in net assets	<u>55,664</u>
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Net assets, beginning of year	276,326
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Prior period adjustment	<u>17,361</u>
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Net assets, beginning of year, (as restated)	<u>293,687</u>
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Net assets, end of year	<u>\$ 349,351</u>
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Financial Analysis

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only governmental fund of the Township. The General Fund fund balance increased by \$44,132 from \$276,326 to \$320,458 during 2005. This increase is mainly attributable to an increase in property taxes and the Township's conservative spending.

General Fund Budgetary Highlights

The Township Board did not consider it necessary to amend the original budget during the year. The budget variances were a result of unexpected expenditures within a specific function. The Township ended the year with a positive budget variation for the government as a whole.

Capital Asset and Debt Administration

Capital assets. The Township defines a capital asset as an asset whose cost exceeds \$5,000 and whose useful life is greater than two years. Assets are depreciated using the straight-line method over the course of their useful lives. The Township Hall is the only capital asset of the Township as of June 30, 2005.

Long-term debt. Debt is classified as long-term if the debt matures in a period greater than one year. Additional information on the Township's long-term debt can be found in Note 3C on page 12 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township continues to experience increases in property values, which increases property tax revenues.

The 2005/2006 budget projects continued growth in taxable property values with state shared revenues remaining at the previous year's levels. The budget includes expenditures similar with the Township's 2004/2005 year with minimal variations.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Supervisor, 2982 S. Pleasantview Road, Harbor Springs, Michigan, 49740.

BASIC FINANCIAL STATEMENTS

PLEASANTVIEW TOWNSHIP
BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 321,295	\$ -	\$ 321,295
Capital assets, net	<u>-</u>	<u>69,820</u>	<u>69,820</u>
Total assets	<u>\$ 321,295</u>	<u>69,820</u>	<u>391,115</u>
Liabilities			
Withheld payroll taxes	\$ 837	-	837
Noncurrent liabilities			
Due within one year		8,542	8,542
Due in more than one year	<u>-</u>	<u>32,385</u>	<u>32,385</u>
Total liabilities	<u>837</u>	<u>40,927</u>	<u>41,764</u>
Fund equity			
Unreserved, undesignated	<u>320,458</u>	<u>(320,458)</u>	-
Total liabilities and fund equity	<u>\$ 321,295</u>		
Net Assets			
Invested in capital assets		28,893	28,893
Unrestricted		<u>320,458</u>	<u>320,458</u>
Total Net Assets		<u>\$ 349,351</u>	<u>\$ 349,351</u>

Continued...

PLEASANTVIEW TOWNSHIP
BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2005

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets

Total governmental fund balance	\$ 320,458
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add capital assets, net	69,820
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Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct notes payable	<u>(40,927)</u>
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Net assets of governmental activities	<u>\$ 349,351</u>
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Concluded

The accompanying notes are an integral part of these financial statements.

PLEASANTVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 139,239	\$ -	\$ 139,239
State revenue sharing	64,574	-	64,574
Interest	4,336	-	4,336
Other	2,353	-	2,353
Total revenues	210,502	-	210,502
Expenditures			
Legislative	6,019	-	6,019
General government	105,334	-	105,334
Public safety	25,412	-	25,412
Public works	2,304	-	2,304
Recreation	3,285	-	3,285
Insurance and bonds	6,182	-	6,182
Principal	13,527	(13,527)	-
Interest	4,307	-	4,307
Unallocated depreciation	-	1,995	1,995
Total expenditures	166,370	(11,532)	154,838
Net change in fund balance/net assets	44,132	11,532	55,664
Fund balance/net assets beginning of year	276,326	-	276,326
Prior period adjustment	-	17,361	17,361
Fund balance/net assets beginning of year, as restated	276,326	17,361	293,687
Fund balance/net assets, end of year	\$ 320,458	\$ 28,893	\$ 349,351

Continued...

PLEASANTVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities

Net change in fund balance - governmental fund	\$ 44,132
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Amounts reported for governmental activities in the statements of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct depreciation expense	(1,995)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add the decrease in the notes payable	<u>13,527</u>
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Change in net assets of governmental activities	<u>\$ 55,664</u>
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Concluded

The accompanying notes are an integral part of these financial statements

PLEASANTVIEW TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 134,700	\$ 139,239	\$ 4,539
State revenue sharing	41,250	64,574	23,324
Interest	2,000	4,336	2,336
Other	8,110	2,353	(5,757)
Total revenues	186,060	210,502	24,442
Expenditures			
General government			
Legislative	5,500	6,019	(519)
General government	139,600	105,334	34,266
Public safety	26,660	25,412	1,248
Public works	4,800	2,304	2,496
Recreation	3,000	3,285	(285)
Insurance and bonds	6,500	6,182	318
Debt Service			
Principal payments	11,000	13,527	(2,527)
Interest	-	4,307	(4,307)
Total expenditures	197,060	166,370	30,690
Change in fund balance	(11,000)	44,132	55,132
Fund balance, beginning of year	276,326	276,326	-
Fund balance, end of year	\$ 265,326	\$ 320,458	\$ 55,132

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Pleasantview Township (the “Township”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Township.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the Township. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township had no *business-type activities* during the year ended 2005.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The Township reports the General Fund as a major governmental fund. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township. Additionally, the Township reports an agency fund, which accounts for assets held for others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and equity

1. *Deposits*

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

2. *Capital assets*

Capital assets, which include a building, are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the Township as assets that are used in operations and have initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are purchased or constructed. The capital asset of the Township is depreciated using the straight-line method over the estimated useful life of 40 years.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

3. *Property taxes*

Properties are assessed as of December 31st and the related property taxes become a lien on December 1st of the following year. These taxes are due on February 14th; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Emmet County.

Property taxes are recognized in the fiscal year in which they are levied.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The Township adopts an annual budget each year for expenditures applicable to the General Fund. The operating budget includes proposed expenditures and the means of financing them and is stated on a basis consistent with accounting principles generally accepted in the United States of America. Budgets lapse at fiscal year end.

B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposit balances as of June 30, 2005 consisted of cash and cash equivalents of 321,295 for the governmental activities.

Custodial risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial risk. As of year end \$220,327 of the Township's bank balance of \$320,327 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

B. Capital assets

Capital asset activity was as follows for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Balance June 30, 2005</u>
Capital assets being depreciated			
Building	\$ 79,794	\$ -	\$ 79,794
Accumulated depreciation			
Building	<u>(7,979)</u>	<u>(1,995)</u>	<u>(9,974)</u>
Governmental activities capital assets, net	<u>\$ 71,815</u>	<u>\$ (1,995)</u>	<u>\$ 69,820</u>

Depreciation expense for the year ended June 30, 2005 was \$1,995.

C. Long-Term Debt

The Township's long-term debt consists of the following:

	<u>Balance July 1, 2004</u>	<u>(Deductions)</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
1999 installment note payable to Huntington National Bank, due in monthly installments of \$926 including interest charged at 6.92% through June 2010.	<u>\$ 54,454</u>	<u>\$ (13,527)</u>	<u>\$ 40,927</u>	<u>\$ 8,542</u>

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

Maturities of this long-term obligation for each of the years succeeding June 30, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 8,542	\$ 2,565
2007	9,153	1,954
2008	9,806	1,301
2009	10,507	600
2010	<u>2,919</u>	<u>34</u>
Total	<u>\$ 40,927</u>	<u>\$ 6,454</u>

D. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Restatements

As of and for the year ended June 30, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis-* *for State and Local Governments*

No. 37 - *Basic Financial Statement - and management's Discussion and Analysis - for State and Local Governments : Omnibus*

No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fun Financial Statements*

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2004. The Township was required to implement the new requirements as of and for the year ended June 30, 2005, as the Township is only required to have audits done on a biennial basis, based on State law.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Notes to the basic financial statement.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2005, the following restatements were made to beginning net assets in the government-wide financial statements.

Beginning net assets for governmental activities was determined as follows:

Fund balance of the General Fund as of June 30, 2004	\$ 276,326
Add: Governmental capital assets as of June 30, 2004	79,794
Deduct: Accumulated depreciation as of June 30, 2004 on governmental capital assets	(7,979)
Deduct: Notes payable as of June 30, 2004	<u>(54,454)</u>
Governmental activities net assets, restated, as of June 30, 2004	<u>\$ 293,687</u>

PLEASANTVIEW TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk Management and Litigation

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to Township employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Township has had no settled claims resulting from these risks that exceeded commercial coverage in any of the past three years.

B. Defined Contribution Pension Plan

The Pleasantview Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The Township provides pension benefits for all township board members, liquor inspectors and the zoning administration through this plan. At June 30, 2005, the seven eligible persons were plan members.

Employees are eligible to participate from the date of employment. The plan requires the Township to contribute 10% of the employees' base annual salary each year. The employee may also contribute up to 10% of their salary to the plan. The contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

Plan provisions and contribution requirements are established and may be amended by the Township Board. There were no Plan provision amendments in the current year.

During the year, the Township's required and actual contributions amounted to \$4,430. Employees made contributions amounting to \$1,150 to the Plan.

C. Commitment

In April 2003, The Township Board passed a resolution, as required by the Michigan Department of Environmental Quality, to assume the operation and maintenance of the newly constructed wastewater collection and treatment system at the Trout Creek Condominium Association (the "Association"), which is located within the Township. If the Association fails to appropriately maintain the system, the Township would be required to assume this responsibility. As of June 30, 2005 there is no indication that the Association is not properly maintaining the system.

* * * * *

SUPPLEMENTAL INFORMATION

PLEASANTVIEW TOWNSHIP

SCHEDULE OF REVENUES -

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)
Taxes			
Current tax collections	\$ 104,500	\$ 114,303	\$ 9,803
Delinquent tax collections	10,000	5,075	(4,925)
Swampland taxes	10,100	10,097	(3)
Property tax - administrative fee	3,000	2,761	(239)
School summer collection	7,100	7,003	(97)
Total taxes	134,700	139,239	4,539
State revenue			
State revenue sharing	36,250	59,598	23,348
Liquor fees	5,000	4,976	(24)
Total state revenue	41,250	64,574	23,324
Interest	2,000	4,336	2,336
Other	8,110	2,353	(5,757)
Total revenues	\$ 186,060	\$ 210,502	\$ 24,442

PLEASANTVIEW TOWNSHIP
SCHEDULE OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)
Legislative Trustees	\$ 5,500	\$ 6,019	\$ (519)
General government			
Supervisor	20,700	1,927	18,773
Elections	2,500	1,669	831
Legal and professional	16,000	4,941	11,059
Assessor	25,000	23,572	1,428
Clerk	8,400	8,000	400
Board of review	1,000	950	50
Treasurer	17,400	10,681	6,719
Planning	9,000	14,557	(5,557)
Building and grounds	23,900	27,764	(3,864)
Cemetery	1,200	1,035	165
Contracted services	-	2,782	(2,782)
Pension plan and social security	14,500	7,456	7,044
Total general government	139,600	105,334	34,266
Public safety			
Liquor inspections	5,200	4,821	379
Fire protection and ambulance service	21,460	20,591	869
Total public safety	26,660	25,412	1,248
Public works			
Road construction and maintenance	2,500	2,304	196
Spring clean-up	2,300	-	2,300
Total public works	4,800	2,304	2,496
Insurance and bonds	6,500	6,182	318
Debt service			
Principal	11,000	13,527	(2,527)
Interest	-	4,307	(4,307)
Total debt service	11,000	17,834	(6,834)
Recreation			
Airport	3,000	3,285	(285)
Total expenditures	\$ 197,060	\$ 166,370	\$ 30,690

PLEASANTVIEW TOWNSHIP

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and cash equivalents	<u>\$ 17,381</u>	<u>\$ 2,980,966</u>	<u>\$ 2,998,347</u>	<u>\$ -</u>
Liabilities				
Due to other governmental units	\$ 17,381	2,973,370	2,990,751	\$ -
Other liabilities	<u>-</u>	<u>7,596</u>	<u>7,596</u>	<u>-</u>
Total liabilities	<u>\$ 17,381</u>	<u>\$ 2,980,966</u>	<u>\$ 2,998,347</u>	<u>\$ -</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 23, 2005

Township Board
Pleasantview Township
Harbor Springs, Michigan

We have audited the financial statements of the governmental activities, the major governmental fund, and the fiduciary fund of Pleasantview Township (the "Township"), as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and cash disbursements and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the cost would exceed the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.